

PROVIDING FOR CONSIDERATION OF H.R. 2676, THE IRS
RESTRUCTURING AND REFORM ACT OF 1997

NOVEMBER 4, 1997.—Referred to the House Calendar and ordered to be printed

Mr. DREIER, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 303]

The Committee on Rules, having had under consideration House Resolution 303, by a non-record vote, report the same to the House with the recommendation that the resolution be adopted.

BRIEF SUMMARY OF PROVISIONS OF RESOLUTION

The resolution provides for consideration of H.R. 2676, the “IRS Restructuring and Reform Act of 1997” under a closed rule. The rule provides for two hours of debate equally divided and controlled by the chairman and ranking member of the Committee on Ways and Means.

The rule provides that the amendment in the nature of a substitute recommended by the Committee on Ways and Means, as modified by the amendments printed in this report, be considered as adopted. All points of order are waived against the bill, as amended. Finally, the rule provides one motion to recommit with or without instructions.

SUMMARY OF AMENDMENTS CONSIDERED AS ADOPTED BY THE RULE

Archer.—Clarifies the authorization for low income taxpayer clinics and the salaries of members of the Oversight Board to correct Budget Act violations.

Portman.—Clarifies that IRS management and employees may address in the written agreement between them any personnel flexibility issues in a demonstration project.

Dreier.—Rules Committee substitute to section 422 relating to the Joint Committee on Taxation’s preparation of a Tax Complexity Analysis.

Archer.—Adds the text of H.R. 2645, the Tax Technical Corrections Act of 1997 as a new title at the end of the bill.

EXPLANATION OF RULES COMMITTEE SUBSTITUTE TO SECTION 422 OF
H.R. 2676

As reported by the House Committee on Ways and Means, Section 422 of H.R. 2676 requires the Joint Committee on Taxation to provide a “Tax Complexity Analysis” for legislation reported by the House Committee on Ways and Means and the Senate Committee on Finance and all conference reports that would amend the Internal Revenue Code. The analysis would identify those provisions in a bill of conference report that the staff of the Joint Committee on Taxation determines would add significant complexity or simplification to the tax laws. If the report accompanying such legislation does not include a Tax Complexity Analysis, the legislation would be subject to a point of order in the House and Senate.

The Rules Committee substitute makes a number of clarifying and technical changes to Section 422.

For purposes of the requirement that the Joint Committee on Taxation provide a “Tax Complexity Analysis,” the term “legislation” is further defined as “bills or joint resolutions” reported by the House Committee on Ways and Means, the Senate Committee on Finance or a committee of conference.

For purposes of compliance with Section 422, the Committee involved shall either include the Tax Complexity Analysis in the committee report or cause it to be printed in the Congressional Record prior to consideration of the legislation in the House and Senate.

References to “the staff” of the Joint Committee on Taxation are removed.

Tax Complexity Analysis is defined as “a report which is prepared by the Joint Committee on Taxation and which identifies the provisions of the legislation adding significant complexity or providing significant implication (as determined by the Joint Committee on Taxation) and includes the basis for such determination.”

Language containing the point of order in the House of Representatives with respect to legislation reported by the Committee on Ways and Means and by a Committee of conference is stricken from Section 8024 of the Internal Revenue Code and inserted in the rules of the House of Representatives. Specifically:

Clause 2(l) of House rule XI is amended to require the report of the Committee on Ways and Means on any bill or joint resolution containing any provision amending the Internal Revenue Code of 1986 to contain a Tax Complexity Analysis unless the Committee causes to have such Analysis printed in the Congressional Record prior to the consideration of the bill or joint resolution; and

House rule XXVIII is amended to prohibit consideration of a conference report which contains any provision amending the Internal Revenue Code unless the accompanying joint statement of managers contains a Tax Complexity Analysis, unless such Analysis is printed in the Congressional Record prior to the consideration of the report.

TEXT OF AMENDMENTS TO H.R. 2676 CONSIDERED AS ADOPTED BY
THE RULE

In section 7802(e)(1) of the Internal Revenue Code of 1986 (relating to compensation of Members of the Oversight Board), as proposed to be added by section 101—

(1) in subparagraph (A), strike “compensated at a rate of \$30,000 per year” and insert “compensated at a rate not to exceed \$30,000 per year”; and

(B) in subparagraph (B), strike “compensated at a rate of \$50,000” and insert “compensated at a rate not to exceed \$50,000”.

At the end of subsection (b) of section 9301 of title 5, United States Code (as proposed to be amended by section 111), add the following new paragraph:

“(3) INCLUDIBLE MATTERS.—the written agreement may address any flexibilities under section 9302, 9303, or 9304, including any matter proposed to be included in a demonstration project under section 9304.

On page 82, line 18, strike “shall” and insert “may, subject to the availability of appropriated funds.”

Amend section 422 to read as follows:

SEC. 422. TAX COMPLEXITY ANALYSIS.

(a) REQUIRING ANALYSIS TO ACCOMPANY CERTAIN LEGISLATION.—

(1) IN GENERAL.—Chapter 92 (relating to powers and duties of the Joint Committee on Taxation) is amended by adding at the end the following new section:

“SEC. 8024. TAX COMPLEXITY ANALYSIS.

“(a) IN GENERAL.—If—

“(1) a bill or joint resolution is reported by the Committee on Finance of the Senate, the Committee on Ways and Means of the House of Representatives, or any committee of conference, and

“(2) such legislation includes any provision amending the Internal Revenue Code of 1986,

the report for such legislation shall contain a Tax Complexity Analysis unless the committee involved causes to have the Tax Complexity Analysis printed in the Congressional Record prior to the consideration of the legislation in the House of Representatives or the Senate (as the case may be).

“(b) LEGISLATION SUBJECT TO POINT OF ORDER.—It shall not be in order in the Senate to consider any bill or joint resolution described in subsection (a) required to be accompanied by a Tax Complexity Analysis that does not contain a Tax Complexity Analysis.

“(c) RESPONSIBILITIES OF THE COMMISSIONER.—The Commissioner shall provide the Joint Committee on Taxation with such information as is necessary to prepare Tax Complexity Analyses.

“(d) TAX COMPLEXITY ANALYSIS DEFINED.—For purposes of this section, the term ‘Tax Complexity Analysis’ means, with respect to a bill or joint resolution, a report which is prepared by the Joint Committee on Taxation and which identifies the provisions of the legislation adding significant complexity or providing significant simplification (as determined by the Joint Committee) and includes the basis for such determination.”

(2) CLERICAL AMENDMENT.—The table of sections for chapter 92 is amended by adding at the end the following new item:
 “Sec. 8024. Tax complexity analysis.”

(b) LEGISLATION SUBJECT TO POINT OF ORDER IN HOUSE OF REPRESENTATIVES.—

(1) LEGISLATION REPORTED BY COMMITTEE ON WAYS AND MEANS.—Clause 2(1) of rule XI of the Rules of the House of Representatives is amended by adding at the end the following new subparagraph:

“(8) The report of the Committee on Ways and Means on any bill or joint resolution containing any provision amending the Internal Revenue Code of 1986 shall include a Tax Complexity Analysis prepared by the Joint Committee on Taxation in accordance with section 8024 of the Internal Revenue Code of 1986 unless the Committee on Ways and Means causes to have such Analysis printed in the Congressional Record prior to the consideration of the bill or joint resolution.”

(2) CONFERENCE REPORTS.—Rule XXVIII of the Rules of the House of Representatives is amended by adding at the end the following new clause:

“7. It shall not be in order to consider the report of a committee of conference which contains any provision amending the Internal Revenue Code of 1986 unless—

“(a) the accompanying joint explanatory statement contains a Tax Complexity Analysis prepared by the Joint Committee on Taxation in accordance with section 8024 of the Internal Revenue Code of 1986, or

“(b) such Analysis is printed in the Congressional Record prior to the consideration of the report.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to legislation considered on or after January 1, 1998. At the end of the bill, insert the following new title:

TITLE VI—TAX TECHNICAL CORRECTIONS ACT OF 1997

SEC. 601. SHORT TITLE.

This title may be cited as the “Tax Technical Corrections Act of 1997”.

SEC. 602. DEFINITIONS.

For purposes of this title—

(1) 1986 CODE.—The term “1986 Code” means the Internal Revenue Code of 1986.

(2) 1997 ACT.—The term “1997 Act” means the Taxpayer Relief Act of 1997.

SEC. 603. AMENDMENTS RELATED TO TITLE I OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 101(a) OF 1997 ACT.—

(1) Subsection (d) of section 24 of the 1986 Code is amended—

(A) by striking paragraphs (3) and (4),

(B) by redesignating paragraph (5) as paragraph (3), and

(C) by striking paragraphs (1) and (2) and inserting the following new paragraphs:

“(1) IN GENERAL.—In the case of a taxpayer with 3 or more qualifying children for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—

“(A) the credit which would be allowed under this section without regard to this subsection and the limitation under section 26(a), or

“(B) the amount by which the aggregate amount of credits allowed by this subpart (without regard to this subsection) would increase if the limitation imposed by section 26(a) were increased by the excess (if any) of—

“(i) the taxpayer’s social security taxes for the taxable year, over

“(ii) the credit allowed under section 32 (determined without regard to subsection (n)) for the taxable year.

The amount of the credit allowed under this subsection shall not be treated as a credit allowed under this subpart and shall reduce the amount of credit otherwise allowable under subsection (a) without regard to section 26(a).

“(2) REDUCTION OF CREDIT TO TAXPAYER SUBJECT TO ALTERNATIVE MINIMUM TAX.—The credit determined under this subsection for the taxable year shall be reduced by the excess (if any) of—

“(A) the amount of tax imposed by section 55 (relating to alternative minimum tax) with respect to such taxpayer for such taxable year, over

“(B) the amount of the reduction under section 32(h) with respect to such taxpayer for such taxable year.”

(2) Paragraph (3) of section 24(d) of the 1986 Code (as redesignated by paragraph (1)) is amended by striking “paragraph (3)” and inserting “paragraph (1)”.

(b) AMENDMENTS RELATED TO SECTION 101(b) OF 1997 ACT.—

(1) The subsection (m) of section 32 of the 1986 Code added by section 101(b) of the 1997 Act is amended to read as follows:

“(n) SUPPLEMENTAL CHILD CREDIT.—

“(1) IN GENERAL.—In the case of a taxpayer with respect to whom a credit is allowed under section 24 for the taxable year, the credit otherwise allowable under this section shall be increased by the lesser of—

“(A) the credit which would be allowed under section 24 without regard to this subsection and the limitation under section 26(a), or

“(B) the amount by which the aggregate amount of credits allowed by subpart A (without regard to this subsection) would be reduced if the limitation imposed by section 26(a) were reduced by the excess (if any) of—

“(i) the credit allowed by this section (without regard to this subsection) for the taxable year, over

“(ii) the taxpayer’s social security taxes (as defined in section 24(d)) for the taxable year.

The credit determined under this subsection shall be allowed without regard to any other provision of this section, including subsection (d).

“(2) COORDINATION WITH OTHER CREDITS.—

“(A) IN GENERAL.—The amount of the credit under this subsection shall reduce the amount of the credit otherwise allowable under section 24, but the amount of the credit under this subsection (and such reduction) shall not otherwise be taken into account in determining the amount of any other credit allowable under this part.

“(B) TREATMENT OF CREDIT UNDER SECTION 24(d).—For purposes of this subsection, the credit determined under section 24(d) shall be treated as not allowed under section 24.”

SEC. 604. AMENDMENTS RELATED TO TITLE II OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 201 OF 1997 ACT.—

(1) The item relating to section 25A in the table of sections for subpart A of part IV of subchapter A of chapter 1 of the 1986 Code is amended to read as follows:

“Sec. 25A. Hope and Lifetime Learning credits.”

(2) Subsection (a) of section 6050S of the 1986 Code is amended to read as follows:

“(a) IN GENERAL.—Any person—

“(1) which is an eligible educational institution—

“(A) which receives payments for qualified tuition and related expenses with respect to any individual for any calendar year, or

“(B) which makes reimbursements or refunds (or similar amounts) to any individual of qualified tuition and related expenses,

“(2) which is engaged in a trade or business of making payments to any individual under an insurance arrangement as reimbursements or refunds (or similar amounts) of qualified tuition and related expenses, or

“(3) except as provided in regulations, any person which is engaged in a trade or business and, in the course of which, receives from any individual interest aggregating \$600 or more for any calendar year on 1 or more qualified education loans, shall make the return described in subsection (b) with respect to the individual at such time as the Secretary may by regulations prescribe.”

(3) Subparagraph (A) of section 201(c)(2) of the 1997 Act is amended to read as follows:

“(A) Subparagraph (B) of section 6724(d)(1) (relating to definitions) is amended by redesignating clauses (x) through (xv) as clauses (xi) through (xvi), respectively, and by inserting after clause (ix) the following new clause:

“‘(x) section 6050S (relating to returns relating to payments for qualified tuition and related expenses),’”.

(b) AMENDMENTS RELATED TO SECTION 211 OF 1997 ACT.—

(1) Paragraph (3) of section 135(c) of the 1986 Code is amended to read as follows:

“(3) ELIGIBLE EDUCATIONAL INSTITUTION.—The term ‘eligible educational institution’ has the meaning given such term by section 529(e)(5).”.

(2) Subparagraph (A) of section 529(c)(3) of the 1986 Code is amended by striking “section 72(b)” and inserting “section 72”.
 (c) AMENDMENTS RELATED TO SECTION 213 OF 1997 ACT.—

(1)(A) Section 530(b)(1)(E) of the 1986 Code (defining education individual retirement account) is amended to read as follows:

“(E) Any balance to the credit of the designated beneficiary on the date on which the beneficiary attains age 30 shall be distributed within 30 days after such date to the beneficiary or, if the beneficiary dies before attaining age 30, shall be distributed within 30 days after the date of death to the estate of such beneficiary.”

(B) Subsection (d) of section 530 of the 1986 Code is amended by adding at the end the following new paragraph:

“(8) DEEMED DISTRIBUTION ON REQUIRED DISTRIBUTION DATE.—In any case in which a distribution is required under subsection (b)(1)(E), any balance to the credit of a designated beneficiary as of the close of the 30-day period referred to in such subsection for making such distribution shall be deemed distributed at the close of such period.”

(2)(A) Paragraph (1) of section 530(d) of the 1986 Code is amended by striking “section 72(b)” and inserting “section 72”.

(B) Subsection (e) of section 72 of the 1986 Code is amended by inserting after paragraph (8) the following new paragraph:

“(9) EXTENSION OF PARAGRAPH (2)(B) TO QUALIFIED STATE TUITION PROGRAMS AND EDUCATIONAL INDIVIDUAL RETIREMENT ACCOUNTS.—Notwithstanding any other provision of this subsection, paragraph (2)(B) shall apply to amounts received under a qualified State tuition program (as defined in section 529(b)) or under an education individual retirement account (as defined in section 530(b)). The rule of paragraph (8)(B) shall apply for purposes of this paragraph.”

(3) So much of section 530(d)(4)(C) of the 1986 Code as precedes clause (ii) thereof is amended to read as follows:

“(C) CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—Subparagraph (A) shall not apply to the distribution of any contribution made during a taxable year on behalf of the designated beneficiary if—

“(i) such distribution is made on or before the day prescribed by law (including extensions of time) for filing the beneficiary’s return of tax for the taxable year or, if the beneficiary is not required to file such a return, the 15th day of the 4th month of the taxable year following the taxable year, and”.

(4) Subparagraph (C) of section 135(c)(2) of the 1986 Code is amended—

(A) by inserting “AND EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS” in the heading after “PROGRAM”, and

(B) by striking “section 529(c)(3)(A)” and inserting “section 72”.

(5) Subparagraph (A) of section 4973(e)(1) of the 1986 Code is amended by inserting before the comma “(or, if less, the sum of the maximum amounts permitted to be contributed under

section 530(c) by the contributors to such accounts for such year”.

(d) AMENDMENT RELATED TO SECTION 224 OF 1997 ACT.—Section 170(e)(6)(F) of the 1986 Code (relating to termination) is amended by striking “1999” and inserting “2000”.

(e) AMENDMENTS RELATED TO SECTION 225 OF 1997 ACT.—

(1) The last sentence of section 108(f)(2) of the 1986 Code is amended to read as follows:

“The term ‘student loan’ includes any loan made by an educational organization described in section 170(b)(1)(A)(ii) or by an organization exempt from tax under section 501(a) to refinance a loan to an individual to assist the individual in attending any such educational organization but only if the refinancing loan is pursuant to a program of the refinancing organization which is designed as described in subparagraph (D)(ii).”

(2) Section 108(f)(3) of the 1986 Code is amended by striking “(or by an organization described in paragraph (2)(E) from funds provided by an organization described in paragraph (2)(D))”.

(f) AMENDMENTS RELATED TO SECTION 226 OF 1997 ACT.—

(1) Section 226(a) of the 1997 Act is amended by striking “section 1397E” and inserting “section 1397D”.

(2) Section 1397E(d)(4)(B) of the 1986 Code is amended by striking “local education agency as defined” and inserting “local educational agency as defined”.

SEC. 605. AMENDMENTS RELATED TO TITLE III OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 301 OF 1997 ACT.—Section 219(g) of the 1986 Code is amended—

(1) by inserting “or the individual’s spouse” after “individual” in paragraph (1), and

(2) by striking paragraph (7) and inserting:

“(7) SPECIAL RULE FOR SPOUSES WHO ARE NOT ACTIVE PARTICIPANTS.—If this subsection applies to an individual for any taxable year solely because their spouse is an active participant, then, in applying this subsection to the individual (but not their spouse)—

“(A) the applicable dollar amount under paragraph (3)(B)(i) shall be \$150,000, and

“(B) the amount applicable under paragraph (2)(A)(ii) shall be \$10,000.”

(b) AMENDMENTS RELATED TO SECTION 302 OF 1997 ACT.—

(1) Section 408A(c)(3)(A) of the 1986 Code is amended by striking “shall be reduced” and inserting “shall not exceed an amount equal to the amount determined under paragraph (2)(A) for such taxable year, reduced”.

(2) Section 408A(c)(3) of the 1986 Code (relating to limits based on modified adjusted gross income) is amended—

(A) by inserting “or a married individual filing a separate return” after “joint return” in subparagraph (A)(ii), and

(B) by striking “and the deduction under section 219 shall be taken into account” in subparagraph (C)(i).

(3) Section 408A(d)(2) of the 1986 Code (defining qualified distribution) is amended by striking subparagraph (B) and inserting the following:

“(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a Roth IRA shall not be treated as a qualified distribution under subparagraph (A) if such payment or distribution is made before the exclusion date for the Roth IRA.

“(C) EXCLUSION DATE.—For purposes of this section, the exclusion date for any Roth IRA is the first day of the taxable year immediately following the 5-taxable year period beginning with—

“(i) the first taxable year for which a contribution to any Roth IRA maintained for the benefit of the individual was made, or

“(ii) in the case of a Roth IRA to which 1 or more qualified rollover contributions were made—

“(I) from an individual retirement plan other than a Roth IRA, or

“(II) from another Roth IRA to the extent such contributions are properly allocable to contributions described in subclause (I),

the most recent taxable year for which any such qualified rollover contribution was made.”

(4) Section 408A(d)(3) of the 1986 Code (relating to rollovers from IRAs other than Roth IRAs) is amended by adding at the end the following:

“(F) SPECIAL RULE FOR APPLYING SECTION 72.—

“(i) IN GENERAL.—If—

“(I) any distribution from a Roth IRA is made before the exclusion date, and

“(II) any portion of such distribution is properly allocable to a qualified rollover contribution described in paragraph (2)(C)(ii),

then section 72(t) shall be applied as if such portion were includible in gross income.

“(ii) LIMITATION.—Clause (i) shall apply only to the extent of the amount includible in gross income under subparagraph (A)(i) by reason of the qualified rollover contribution.

“(G) SPECIAL RULES FOR CONTRIBUTIONS TO WHICH 4-YEAR AVERAGING APPLIES.—In the case of a qualified rollover contribution to a Roth IRA of a distribution to which subparagraph (A)(iii) applied, the following rules shall apply:

“(i) DEATH OF DISTRIBUTE.—

“(I) IN GENERAL.—If the individual required to include amounts in gross income under such subparagraph dies before all of such amounts are included, all remaining amounts shall be included in gross income for the taxable year which includes the date of death.

“(II) SPECIAL RULE FOR SURVIVING SPOUSE.—If the spouse of the individual described in subclause

(I) acquires the Roth IRA to which such qualified rollover contribution is properly allocable, the spouse may elect to include the remaining amounts described in subclause (I) in the spouse's gross income in the taxable years of the spouse ending with or within the taxable years of such individual in which such amounts would otherwise have been includible.

“(ii) ADDITIONAL TAX FOR EARLY DISTRIBUTION.—

“(I) IN GENERAL.—If any distribution from a Roth IRA is made before the exclusion date, and any portion of such distribution is properly allocable to such qualified rollover contribution, the distributee's tax under this chapter for the taxable year in which the amount is received shall be increased by 10 percent of the amount of such portion not in excess of the amount includible in gross income under subparagraph (A)(i) by reason of such qualified rollover contribution.

“(II) TREATMENT OF TAX.—For purposes of this title, any tax imposed by subclause (I) shall be treated as a tax imposed by section 72(t) and shall be in addition to any other tax imposed by such section.”

(5)(A) Section 408A(d)(4) of the 1986 Code is amended to read as follows:

“(4) AGGREGATION AND ORDERING RULES.—

“(A) AGGREGATION RULES.—Section 408(d)(2) shall be applied separately with respect to—

“(i) Roth IRAs and other individual retirement plans,

“(ii) Roth IRAs described in paragraph (2)(C)(ii) and Roth IRAs not so described, and

“(iii) Roth IRAs described in paragraph (2)(C)(ii) with different exclusion dates.

“(B) ORDERING RULES.—For purposes of applying section 72 to any distribution from a Roth IRA which is not a qualified distribution, such distribution shall be treated as made—

“(i) from contributions to the extent that the amount of such distribution, when added to all previous distributions from the Roth IRA, does not exceed the aggregate contributions to the Roth IRA, and

“(ii) from such contributions in the following order:

“(I) Qualified rollover contributions to the extent includible in gross income in the manner described in paragraph (3)(A)(iii).

“(II) Qualified rollover contributions not described in subclause (I) to the extent includible in gross income under paragraph (3)(A).

“(III) Contributions not described in subclause (I) or (II).

Such rules shall also apply in determining the character of qualified rollover contributions from one Roth IRA to another Roth IRA.”

(B) Section 408A(d)(1) of the 1986 Code is amended to read as follows:

“(1) EXCLUSION.—Any qualified distribution from a Roth IRA shall not be includible in gross income.”

(6)(A) Section 408A(d) of the 1986 Code (relating to distribution rules) is amended by adding at the end the following:

“(6) TAXPAYER MAY MAKE ADJUSTMENTS BEFORE DUE DATE.—

“(A) IN GENERAL.—Except as provided by the Secretary, if, on or before the due date for any taxable year, a taxpayer transfers in a trustee-to-trustee transfer any contribution to an individual retirement plan made during such taxable year from such plan to any other individual retirement plan, then, for purposes of this chapter, such contribution shall be treated as having been made to the transferee plan (and not the transferor plan).

“(B) SPECIAL RULES.—

“(i) TRANSFER OF EARNINGS.—Subparagraph (A) shall not apply to the transfer of any contribution unless such transfer is accompanied by any net income allocable to such contribution.

“(ii) NO DEDUCTION.—Subparagraph (A) shall apply to the transfer of any contribution only to the extent no deduction was allowed with respect to the contribution to the transferor plan.

“(C) DUE DATE.—For purposes of this paragraph, the due date for any taxable year is the last date for filing the return of tax for such taxable year (including extensions).”

(B) Section 408A(d)(3) of the 1986 Code, as amended by this subsection, is amended by striking subparagraph (D) and by redesignating subparagraphs (E), (F), and (G) as subparagraphs (D), (E), and (F), respectively.

(7) Section 302(b) of the 1997 Act is amended by striking “Section 4973(b)” and inserting “Section 4973”.

(8) Section 408A of the 1986 Code is amended by adding at the end the following new subsection:

“(f) INDIVIDUAL RETIREMENT PLAN.—For purposes of this section, except as provided by the Secretary, the term ‘individual retirement plan’ shall not include a simplified employee pension or a simple retirement account.”

(c) AMENDMENTS RELATED TO SECTION 303 OF 1997 ACT.—

(1) Section 72(t)(8)(E) of the 1986 Code is amended—

(A) by striking “120 days” and inserting “120th day”,
and

(B) by striking “60 days” and inserting “60th day”.

(2)(A) Section 402(c) of the 1986 Code is amended by adding at the end the following:

“(11) DENIAL OF ROLLOVER TREATMENT FOR TRANSFERS OF HARDSHIP DISTRIBUTIONS TO INDIVIDUAL RETIREMENT PLANS.—This subsection shall not apply to the transfer of any hardship distribution described in section 401(k)(2)(B)(i)(IV) from a

qualified cash or deferred arrangement to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B)."

(B) The amendment made by this paragraph shall apply to distributions made after December 31, 1997.

(d) AMENDMENTS RELATED TO SECTION 311 OF 1997 ACT.—

(1) Subsection (h) of section 1 of the 1986 Code (relating to maximum capital gains rate) is amended to read as follows:

“(h) MAXIMUM CAPITAL GAINS RATE.—

“(1) IN GENERAL.—If a taxpayer has a net capital gain for any taxable year, the tax imposed by this section for such taxable year shall not exceed the sum of—

“(A) a tax computed at the rates and in the same manner as if this subsection had not been enacted on the greater of—

“(i) taxable income reduced by the net capital gain,

or

“(ii) the lesser of—

“(I) the amount of taxable income taxed at a rate below 28 percent, or

“(II) taxable income reduced by the adjusted net capital gain,

“(B) 10 percent of so much of the adjusted net capital gain (or, if less, taxable income) as does not exceed the excess (if any) of—

“(i) the amount of taxable income which would (without regard to this paragraph) be taxed at a rate below 28 percent, over

“(ii) the taxable income reduced by the adjusted net capital gain,

“(C) 20 percent of the adjusted net capital gain (or, if less, taxable income) in excess of the amount on which a tax is determined under subparagraph (B),

“(D) 25 percent of the excess (if any) of—

“(i) the unreaptured section 1250 gain (or, if less, the net capital gain), over

“(ii) the excess (if any) of—

“(I) the sum of the amount on which tax is determined under subparagraph (A) plus the net capital gain, over

“(II) taxable income, and

“(E) 28 percent of the amount of taxable income in excess of the sum of the amounts on which tax is determined under the preceding subparagraphs of this paragraph.

“(2) REDUCED CAPITAL GAIN RATES FOR QUALIFIED 5-YEAR GAIN.—

“(A) REDUCTION IN 10-PERCENT RATE.—In the case of any taxable year beginning after December 31, 2000, the rate under paragraph (1)(B) shall be 8 percent with respect to so much of the amount to which the 10-percent rate would otherwise apply as does not exceed qualified 5-year gain, and 10 percent with respect to the remainder of such amount.

“(B) REDUCTION IN 20-PERCENT RATE.—The rate under paragraph (1)(C) shall be 18 percent with respect to so

much of the amount to which the 20-percent rate would otherwise apply as does not exceed the lesser of—

“(i) the excess of qualified 5-year gain over the amount of such gain taken into account under subparagraph (A) of this paragraph, or

“(ii) the amount of qualified 5-year gain (determined by taking into account only property the holding period for which begins after December 31, 2000),

and 20 percent with respect to the remainder of such amount. For purposes of determining under the preceding sentence whether the holding period of property begins after December 31, 2000, the holding period of property acquired pursuant to the exercise of an option (or other right or obligation to acquire property) shall include the period such option (or other right or obligation) was held.

“(3) NET CAPITAL GAIN TAKEN INTO ACCOUNT AS INVESTMENT INCOME.—For purposes of this subsection, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer takes into account as investment income under section 163(d)(4)(B)(iii).

“(4) ADJUSTED NET CAPITAL GAIN.—For purposes of this subsection, the term ‘adjusted net capital gain’ means net capital gain reduced (but not below zero) by the sum of—

“(A) unrecaptured section 1250 gain, and

“(B) 28 percent rate gain.

“(5) 28 PERCENT RATE GAIN.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘28 percent rate gain’ means the excess (if any) of—

“(i) the sum of—

“(I) the aggregate long-term capital gain from property held for more than 1 year but not more than 18 months,

“(II) collectibles gain, and

“(III) section 1202 gain, over

“(ii) the sum of—

“(I) the aggregate long-term capital loss (not described in subclause (IV)) from property referred to in clause (i)(I),

“(II) collectibles loss,

“(III) the net short-term capital loss, and

“(IV) the amount of long-term capital loss carried under section 1212(b)(1)(B) to the taxable year.

“(B) SPECIAL RULES.—

“(i) SHORT SALES AND OPTIONS.—Rules similar to the rules of subsections (b) and (d) of section 1233 shall apply to substantially identical property, and section 1092(f) with respect to stock, held for more than 1 year but not more than 18 months.

“(ii) SECTION 1256 CONTRACTS.—Amounts treated as long-term capital gain or loss under section 1256(a)(3) shall be treated as attributable to property held for more than 18 months.

“(6) COLLECTIBLES GAIN AND LOSS.—For purposes of this subsection—

“(A) IN GENERAL.—The terms ‘collectibles gain’ and ‘collectibles loss’ mean gain or loss (respectively) from the sale or exchange of a collectible (as defined in section 408(m) without regard to paragraph (3) thereof) which is a capital asset held for more than 18 months but only to the extent such gain is taken into account in computing gross income and such loss is taken into account in computing taxable income.

“(B) PARTNERSHIPS, ETC.—For purposes of subparagraph (A), any gain from the sale of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751 shall apply for purposes of the preceding sentence.

“(7) UNRECAPTURED SECTION 1250 GAIN.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘unrecaptured section 1250 gain’ means the excess (if any) of—

“(i) the amount of long-term capital gain (not otherwise treated as ordinary income) which would be treated as ordinary income if—

“(I) section 1250(b)(1) included all depreciation and the applicable percentage under section 1250(a) were 100 percent, and

“(II) only gain from property held for more than 18 months were taken into account, over

“(ii) the excess (if any) of—

“(I) the amount described in paragraph (5)(A)(ii), over

“(II) the amount described in paragraph (5)(A)(i).

“(B) LIMITATION WITH RESPECT TO SECTION 1231 PROPERTY.—The amount described in subparagraph (A)(i) from sales, exchanges, and conversions described in section 1231(a)(3)(A) for any taxable year shall not exceed the net section 1231 gain (as defined in section 1231(c)(3)) for such year.

“(8) SECTION 1202 GAIN.—For purposes of this subsection, the term ‘section 1202 gain’ means an amount equal to the gain excluded from gross income under section 1202(a).

“(9) QUALIFIED 5-YEAR GAIN.—For purposes of this subsection, the term ‘qualified 5-year gain’ means the amount of long-term capital gain which would be computed for the taxable year if only gains from the sale or exchange of property held by the taxpayer for more than 5 years were taken into account. The determination under the preceding sentence shall be made without regard to collectibles gain, gain described in paragraph (7)(A)(i), and section 1202 gain.

“(10) COORDINATION WITH RECAPTURE OF NET ORDINARY LOSSES UNDER SECTION 1231.—If any amount is treated as ordinary income under section 1231(c), such amount shall be allo-

cated among the separate categories of net section 1231 gain (as defined in section 1231(c)(3)) in such manner as the Secretary may by forms or regulations prescribe.

“(11) REGULATIONS.—The Secretary may prescribe such regulations as are appropriate (including regulations requiring reporting) to apply this subsection in the case of sales and exchanges by pass-thru entities and of interests in such entities.

“(12) PASS-THRU ENTITY DEFINED.—For purposes of this subsection, the term ‘pass-thru entity’ means—

“(A) a regulated investment company,

“(B) a real estate investment trust,

“(C) an S corporation,

“(D) a partnership,

“(E) an estate or trust,

“(F) a common trust fund,

“(G) a foreign investment company which is described in section 1246(b)(1) and for which an election is in effect under section 1247, and

“(H) a qualified electing fund (as defined in section 1295).

“(13) SPECIAL RULES FOR PERIODS DURING 1997.—

“(A) DETERMINATION OF 28 PERCENT RATE GAIN.—In applying paragraph (5)—

“(i) the amount determined under subclause (I) of paragraph (5)(A)(i) shall include long-term capital gain (not otherwise described in paragraph (5)(A)(i)) which is properly taken into account for the portion of the taxable year before May 7, 1997,

“(ii) the amounts determined under subclause (I) of paragraph (5)(A)(ii) shall include long-term capital loss (not otherwise described in paragraph (5)(A)(ii)) which is properly taken into account for the portion of the taxable year before May 7, 1997, and

“(iii) clauses (i)(I) and (ii)(I) of paragraph (5)(A) shall be applied by not taking into account any gain and loss on property held for more than 1 year but not more than 18 months which is properly taken into account for the portion of the taxable year after May 6, 1997, and before July 29, 1997.

“(B) OTHER SPECIAL RULES.—

“(i) DETERMINATION OF UNRECAPTURED SECTION 1250 GAIN NOT TO INCLUDE PRE-MAY 7, 1997 GAIN.—The amount determined under paragraph (7)(A)(i) shall not include gain properly taken into account for the portion of the taxable year before May 7, 1997.

“(ii) OTHER TRANSITIONAL RULES FOR 18-MONTH HOLDING PERIOD.—Paragraphs (6)(A) and (7)(A)(i)(II) shall be applied by substituting ‘1 year’ for ‘18 months’ with respect to gain properly taken into account for the portion of the taxable year after May 6, 1997, and before July 29, 1997.

“(C) SPECIAL RULES FOR PASS-THRU ENTITIES.—In applying this paragraph with respect to any pass-thru entity,

the determination of when gains and loss are properly taken into account shall be made at the entity level.”

(2) IN GENERAL.—Paragraph (3) of section 55(b) of the 1986 Code is amended to read as follows:

“(3) MAXIMUM RATE OF TAX ON NET CAPITAL GAIN OF NONCORPORATE TAXPAYERS.—The amount determined under the first sentence of paragraph (1)(A)(i) shall not exceed the sum of—

“(A) the amount determined under such first sentence computed at the rates and in the same manner as if this paragraph had not been enacted on the taxable excess reduced by the lesser of—

“(i) the net capital gain, or

“(ii) the sum of—

“(I) the adjusted net capital gain, plus

“(II) the unrecaptured section 1250 gain, plus

“(B) 10 percent of so much of the adjusted net capital gain (or, if less, taxable excess) as does not exceed the amount on which a tax is determined under section 1(h)(1)(B), plus

“(C) 20 percent of the adjusted net capital gain (or, if less, taxable excess) in excess of the amount on which tax is determined under subparagraph (B), plus

“(D) 25 percent of the amount of taxable excess in excess of the sum of the amounts on which tax is determined under the preceding subparagraphs of this paragraph.

In the case of taxable years beginning after December 31, 2000, rules similar to the rules of section 1(h)(2) shall apply for purposes of subparagraphs (B) and (C). Terms used in this paragraph which are also used in section 1(h) shall have the respective meanings given such terms by section 1(h) but computed with the adjustments under this part.”.

(3) Section 57(a)(7) of the 1986 Code is amended by adding at the end the following new sentence: “In the case of stock the holding period of which begins after December 31, 2000 (determined with the application of the last sentence of section 1(h)(2)(B)), the preceding sentence shall be applied by substituting ‘28 percent’ for ‘42 percent’.”.

(4) Paragraphs (11) and (12) of section 1223, and section 1235(a), of the 1986 Code are each amended by striking “1 year” each place it appears and inserting “18 months”.

(e) AMENDMENTS RELATED TO SECTION 312 OF 1997 ACT.—

(1) Section 121(c)(1) of the 1986 Code is amended to read as follows:

“(1) IN GENERAL.—In the case of a sale or exchange to which this subsection applies, the ownership and use requirements of subsection (a), and subsection (b)(3), shall not apply; but the dollar limitation under paragraph (1) or (2) of subsection (b), whichever is applicable, shall be equal to—

“(A) the amount which bears the same ratio to such limitation (determined without regard to this paragraph) as

“(B)(i) the shorter of—

“(I) the aggregate periods, during the 5-year period ending on the date of such sale or exchange, such

property has been owned and used by the taxpayer as the taxpayer's principal residence, or

“(II) the period after the date of the most recent prior sale or exchange by the taxpayer to which subsection (a) applied and before the date of such sale or exchange, bears to

“(ii) 2 years.”.

(2) Section 312(d)(2) of the 1997 Act (relating to sales before date of enactment) is amended by inserting “on or” before “before” each place it appears in the text and heading.

(f) AMENDMENT RELATED TO SECTION 313 OF 1997 ACT.—Section 1045 of the 1986 Code is amended by adding at the end the following new subsection:

“(c) LIMITATION ON APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—Subsection (a) shall apply to a partnership or S corporation for a taxable year only if at all times during such taxable year all of the partners in the partnership, or all of the shareholders of the S corporation, are natural persons or estates.”

SEC. 606. AMENDMENTS RELATED TO TITLE V OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 501 OF 1997 ACT.—

(1) Subsection (c) of section 2631 of the 1986 Code is amended by striking “an individual who dies” and inserting “a generation-skipping transfer”.

(2) Subsection (f) of section 501 of the 1997 Act is amended by inserting “(other than the amendment made by subsection (d))” after “this section”.

(b) AMENDMENTS RELATED TO SECTION 502 OF 1997 ACT.—

(1) Subsection (a) of section 2033A of the 1986 Code is amended to read as follows:

“(a) EXCLUSION.—

“(1) IN GENERAL.—In the case of an estate of a decedent to which this section applies, the value of the gross estate shall not include the lesser of—

“(A) the adjusted value of the qualified family-owned business interests of the decedent otherwise includible in the estate, or

“(B) the exclusion limitation with respect to such estate.

“(2) EXCLUSION LIMITATION.—

“(A) IN GENERAL.—The exclusion limitation with respect to any estate is the amount of reduction in the tentative tax base with respect to such estate which would be required in order to reduce the tax imposed by section 2001(b) (determined without regard to this section) by an amount equal to the maximum credit equivalent benefit.

“(B) MAXIMUM CREDIT EQUIVALENT BENEFIT.—For purposes of subparagraph (A), the term ‘maximum credit equivalent benefit’ means the excess of—

“(i) the amount by which the tentative tax imposed by section 2001(b) (determined without regard to this section) would be reduced if the tentative tax base were reduced by \$675,000, over

“(ii) the amount by which the applicable credit amount under section 2010(c) with respect to such es-

tate exceeds such applicable credit amount in effect for 1998.

“(C) TENTATIVE TAX BASE.—For purposes of this paragraph, the term ‘tentative tax base’ means the amount with respect to which the tax imposed by section 2001(b) would be computed without regard to this section.”

(2) Section 2033A(b)(3) of the 1986 Code is amended to read as follows:

“(3) INCLUDIBLE GIFTS OF INTERESTS.—The amount of the gifts of qualified family-owned business interests determined under this paragraph is the sum of—

“(A) the amount of such gifts from the decedent to members of the decedent’s family taken into account under section 2001(b)(1)(B), plus

“(B) the amount of such gifts otherwise excluded under section 2503(b),

to the extent such interests are continuously held by members of such family (other than the decedent’s spouse) between the date of the gift and the date of the decedent’s death.”

(c) AMENDMENTS RELATED TO SECTION 503 OF THE 1997 ACT.—

(1) Clause (iii) of section 6166(b)(7)(A) of the 1986 Code is amended to read as follows:

“(iii) for purposes of applying section 6601(j), the 2-percent portion (as defined in such section) shall be treated as being zero.”

(2) Clause (iii) of section 6166(b)(8)(A) of the 1986 Code is amended to read as follows:

“(iii) 2-PERCENT INTEREST RATE NOT TO APPLY.—For purposes of applying section 6601(j), the 2-percent portion (as defined in such section) shall be treated as being zero.”

(d) AMENDMENT RELATED TO SECTION 505 OF THE 1997 ACT.—Paragraphs (1) and (2) of section 7479(a) of the 1986 Code are each amended by striking “an estate,” and inserting “an estate (or with respect to any property included therein).”

(e) AMENDMENTS RELATED TO SECTION 506 OF THE 1997 ACT.—

(1) Subsection (c) of section 2504 of the 1986 Code is amended by striking “was assessed or paid” and inserting “was finally determined for purposes of this chapter”.

(2) Paragraph (1) of section 506(e) of the 1997 Act is amended by striking “and (c)” and inserting “, (c), and (d)”.

SEC. 607. AMENDMENTS RELATED TO TITLE VII OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1400 OF 1986 CODE.—Section 1400(b)(2)(B) of the 1986 Code is amended by inserting “as determined on the basis of the 1990 census” after “percent”.

(b) AMENDMENTS RELATED TO SECTION 1400B OF 1986 CODE.—

(1) Section 1400B(d)(2) of the 1986 Code is amended by inserting “as determined on the basis of the 1990 census” after “percent”.

(2) Section 1400B(b) of the 1986 Code is amended by redesignating paragraphs (6) and (7) as paragraphs (5) and (6), respectively.

(c) AMENDMENTS RELATED TO SECTION 1400C OF 1986 CODE.—

(1) Paragraph (1) of section 1400C(c) of the 1986 Code is amended to read as follows:

“(1) IN GENERAL.—The term ‘first-time homebuyer’ means any individual if such individual (and if married, such individual’s spouse) had no present ownership interest in a principal residence in the District of Columbia during the 1-year period ending on the date of the purchase of the principal residence to which this section applies.”

(2) Subparagraph (B) of section 1400C(e)(2) of the 1986 Code is amended by inserting before the period “on the date the taxpayer first occupies such residence”.

(3) Paragraph (3) of section 1400C(e) of the 1986 Code is amended by striking all that follows “principal residence” and inserting “on the date such residence is purchased.”

(4) Subsection (i) of section 1400C of the 1986 Code is amended to read as follows:

“(i) APPLICATION OF SECTION.—This section shall apply to property purchased after August 4, 1997, and before January 1, 2001.”

(5) Subsection (c) of section 23 of the 1986 Code is amended by inserting “and section 1400C” after “other than this section”.

(6) Subparagraph (C) of section 25(e)(1) of the 1986 Code is amended by striking “section 23” and inserting “sections 23 and 1400C”.

SEC. 608. AMENDMENTS RELATED TO TITLE IX OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 901 OF 1997 ACT.—Section 9503(c)(7) of the 1986 Code is amended—

(1) by striking “resulting from the amendments made by” and inserting “(and transfers to the Mass Transit Account) resulting from the amendments made by subsections (a) and (b) of section 901 of”, and

(2) by inserting before the period “and deposits in the Highway Trust Fund (and transfers to the Mass Transit Account) shall be treated as made when they would have been required to be made without regard to section 901(e) of the Taxpayer Relief Act of 1997”.

(b) AMENDMENT RELATED TO SECTION 907 OF 1997 ACT.—Paragraph (2) of section 9503(e) of the 1986 Code is amended by striking the last sentence and inserting the following new sentence: “For purposes of the preceding sentence, the term ‘mass transit portion’ means, for any fuel with respect to which tax was imposed under section 4041 or 4081 and otherwise deposited into the Highway Trust Fund, the amount determined at the rate of—

“(A) except as otherwise provided in this sentence, 2.86 cents per gallon,

“(B) 1.77 cents per gallon in the case of any partially exempt methanol or ethanol fuel (as defined in section 4041(m)) none of the alcohol in which consists of ethanol,

“(C) 1.86 cents per gallon in the case of liquefied natural gas,

“(D) 2.13 cents per gallon in the case of liquefied petroleum gas, and

“(E) 9.71 cents per MCF (determined at standard temperature and pressure) in the case of compressed natural gas.”

(c) AMENDMENT RELATED TO SECTION 976 OF 1997 ACT.—Section 6103(d)(5) of the 1986 Code is amended by striking “section 967 of the Taxpayer Relief Act of 1997.” and inserting “section 976 of the Taxpayer Relief Act of 1997. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.”

SEC. 609. AMENDMENTS RELATED TO TITLE X OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 1001 OF 1997 ACT.—

(1) Paragraph (2) of section 1259(b) of the 1986 Code is amended—

(A) by striking “debt” each place it appears in clauses (i) and (ii) of subparagraph (A) and inserting “position”,

(B) by striking “and” at the end of subparagraph (A), and

(C) by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) any hedge with respect to a position described in subparagraph (A), and”.

(2) Section 1259(d)(1) of the 1986 Code is amended by inserting “(including cash)” after “property”.

(3) Subparagraph (D) of section 475(f)(1) of the 1986 Code is amended by adding at the end the following new sentence: “Subsection (d)(3) shall not apply under the preceding sentence for purposes of applying sections 1402 and 7704.”

(4) Subparagraph (C) of section 1001(d)(3) of the 1997 Act is amended by striking “within the 30-day period beginning on” and inserting “before the close of the 30th day after”.

(b) AMENDMENTS RELATED TO SECTION 1012 OF 1997 ACT.—

(1) Paragraph (1) of section 1012(d) of the 1997 Act is amended by striking “1997, pursuant” and inserting “1997; except that the amendment made by subsection (a) shall apply to such distributions only if pursuant”.

(2) Subparagraph (A) of section 355(e)(3) of the 1986 Code is amended—

(A) by striking “shall not be treated as described in” and inserting “shall not be taken into account in applying”, and

(B) by striking clause (iv) and inserting the following new clause:

“(iv) The acquisition of stock in the distributing corporation or any controlled corporation to the extent that the percentage of stock owned directly or indirectly in such corporation by each person owning stock in such corporation immediately before the acquisition does not decrease.”

(c) AMENDMENTS RELATED TO SECTION 1014 OF 1997 ACT.—

(1) Paragraph (1) of section 351(g) of the 1986 Code is amended by adding “and” at the end of subparagraph (A) and by striking subparagraphs (B) and (C) and inserting the following new subparagraph:

- “(B) if (and only if) the transferor receives stock other than nonqualified preferred stock—
- “(i) subsection (b) shall apply to such transferor, and
- “(ii) such nonqualified preferred stock shall be treated as other property for purposes of applying subsection (b).”
- (2) Clause (ii) of section 354(a)(2)(C) of 1986 Code is amended by adding at the end the following new subclause:
- “(III) EXTENSION OF STATUTE OF LIMITATIONS.—The statutory period for the assessment of any deficiency attributable to a corporation failing to be a family-owned corporation shall not expire before the expiration of 3 years after the date the Secretary is notified by the corporation (in such manner as the Secretary may prescribe) of such failure, and such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.”
- (d) AMENDMENT RELATED TO SECTION 1024 OF 1997 ACT.—Section 6331(h)(1) of the 1986 Code is amended by striking “The effect of a levy” and inserting “If the Secretary approves a levy under this subsection, the effect of such levy”.
- (e) AMENDMENTS RELATED TO SECTION 1031 OF 1997 ACT.—
- (1) Subsection (l) of section 4041 of the 1986 Code is amended by striking “subsection (e) or (f)” and inserting “subsection (f) or (g)”.
- (2) Subsection (b) of section 9502 of the 1986 Code is amended by moving the sentence added at the end of paragraph (1) to the end of such subsection.
- (3) Subsection (c) of section 6421 of the 1986 Code is amended—
- (A) by striking “(2)(A)” and inserting “(2)”, and
- (B) by adding at the end the following sentence: “Subsection (a) shall not apply to gasoline to which this subsection applies.”
- (f) AMENDMENTS RELATED TO SECTION 1032 OF 1997 ACT.—
- (1) Section 1032(a) of the 1997 Act is amended by striking “Subsection (a) of section 4083” and inserting “Paragraph (1) of section 4083(a)”.
- (2) Section 1032(e)(12)(A) of the 1997 Act shall be applied as if “gasoline, diesel fuel,” were the material proposed to be stricken.
- (3) Paragraph (1) of section 4101(e) of the 1986 Code is amended by striking “dyed diesel fuel and kerosene” and inserting “such fuel in a dyed form”.
- (g) AMENDMENT RELATED TO SECTION 1055 OF 1997 ACT.—Section 6611(g)(1) of the 1986 Code is amended by striking “(e), and (h)” and inserting “and (e)”.
- (h) AMENDMENT RELATED TO SECTION 1083 OF 1997 ACT.—Section 1083(a)(2) of the 1997 Act is amended—
- (1) by striking “21” and inserting “20”, and
- (2) by striking “22” and inserting “21”.
- (i) AMENDMENT RELATED TO SECTION 1084 OF 1997 ACT.—

(1) Paragraph (3) of section 264(a) of the 1986 Code is amended by striking “subsection (c)” and inserting “subsection (d)”.

(2) Paragraph (4) of section 264(a) of the 1986 Code is amended by striking “subsection (d)” and inserting “subsection (e)”.

(3) Paragraph (4) of section 264(f) of the 1986 Code is amended by adding at the end the following new subparagraph:

“(E) MASTER CONTRACTS.—If coverage for each insured under a master contract is treated as a separate contract for purposes of sections 817(h), 7702, and 7702A, coverage for each such insured shall be treated as a separate contract for purposes of subparagraph (A). For purposes of the preceding sentence, the term ‘master contract’ shall not include any group life insurance contract (as defined in section 848(e)(2)).”

(4)(A) Clause (iv) of section 264(f)(5)(A) of the 1986 Code is amended by striking the second sentence.

(B) Subparagraph (B) of section 6724(d)(1) of the 1986 Code is amended by striking “or” at the end of clause (xv), by striking the period at the end of clause (xvi) and inserting “, or”, and by adding at the end the following new clause:

“(xvii) section 264(f)(5)(A)(iv) (relating to reporting with respect to certain life insurance and annuity contracts).”

(C) Paragraph (2) of section 6724(d) of the 1986 Code is amended by striking “or” at the end of subparagraph (Y), by striking the period at the end of subparagraph (Z) and inserting “or”, and by adding at the end the following new subparagraph:

“(AA) section 264(f)(5)(A)(iv) (relating to reporting with respect to certain life insurance and annuity contracts).”

(j) AMENDMENT RELATED TO SECTION 1085 OF 1997 ACT.—Paragraph (5) of section 32(c) of the 1986 Code is amended—

(1) by inserting before the period at the end of subparagraph (A) “and increased by the amounts described in subparagraph (C)”;

(2) by adding “or” at the end of clause (iii) of subparagraph (B), and

(3) by striking all that follows subclause (II) of subparagraph (B)(iv) and inserting the following:

“(III) other trades or businesses.

For purposes of clause (iv), there shall not be taken into account items which are attributable to a trade or business which consists of the performance of services by the taxpayer as an employee.

“(C) CERTAIN AMOUNTS INCLUDED.—An amount is described in this subparagraph if it is—

“(i) interest received or accrued during the taxable year which is exempt from tax imposed by this chapter, or

“(ii) amounts received as a pension or annuity, and any distributions or payments received from an indi-

vidual retirement plan, by the taxpayer during the taxable year to the extent not included in gross income.

Clause (ii) shall not include any amount which is not includible in gross income by reason of section 402(c), 403(a)(4), 403(b), 408(d) (3), (4), or (5), or 457(e)(10)."

(k) AMENDMENT RELATED TO SECTION 1088 OF 1997 ACT.—Section 1088(b)(2)(C) of the 1997 Act is amended by inserting "more than 1 year" before "after".

(l) AMENDMENT RELATED TO SECTION 1089 OF 1997 ACT.—Paragraphs (1)(C) and (2)(C) of section 664(d) of the 1986 Code are each amended by adding "and" at the end.

SEC. 610. AMENDMENTS RELATED TO TITLE XI OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1103 OF 1997 ACT.—The paragraph (3) of section 59(a) added by section 1103 of the 1997 Act is redesignated as paragraph (4).

(b) AMENDMENT RELATED TO SECTION 1121 OF 1997 ACT.—Section 1298(a)(2)(B) of the 1986 Code is amended by adding at the end the following new sentence: "Section 1297(e) shall not apply in determining whether a corporation is a passive foreign investment company for purposes of this subparagraph."

(c) AMENDMENT RELATED TO SECTION 1122 OF 1997 ACT.—Section 672(f)(3)(B) of the 1986 Code is amended by striking "section 1296" and inserting "section 1297".

(d) AMENDMENT RELATED TO SECTION 1123 OF 1997 ACT.—The subsection (e) of section 1297 of the 1986 Code added by section 1123 of the 1997 Act is redesignated as subsection (f).

(e) AMENDMENT RELATED TO SECTION 1144 OF 1997 ACT.—Paragraphs (1) and (2) of section 1144(c) of the 1997 Act are each amended by striking "6038B(b)" and inserting "6038B(c) (as redesignated by subsection (b))".

SEC. 611. AMENDMENTS RELATED TO TITLE XII OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1204 OF 1997 ACT.—The last sentence of section 162(a) of the 1986 Code is amended by striking "investigate" and all that follows and inserting "investigate or prosecute, or provide support services for the investigation or prosecution of, a Federal crime."

(b) AMENDMENTS RELATED TO SECTION 1205 OF 1997 ACT.—

(1) Section 6311(e)(1) of the 1986 Code is amended by striking "section 6103(k)(8)" and inserting "section 6103(k)(9)".

(2) Paragraph (8) of section 6103(k) of the 1986 Code (as added by section 1205(c)(1) of the 1997 Act) is redesignated as paragraph (9).

(3) The heading for section 7431(g) of the 1986 Code is amended by striking "(8)" and inserting "(9)".

(4) Section 1205(c)(3) of the 1997 Act shall be applied as if it read as follows:

"(3) Section 6103(p)(3)(A), as amended by section 1026(b)(1)(A), is amended by striking "or (8)" and inserting "(8), or (9)".

(5) Section 1213(b) of the 1997 Act is amended by striking "section 6724(d)(1)(A)" and inserting "section 6724(d)(1)".

(c) AMENDMENT RELATED TO SECTION 1226 OF 1997 ACT.—Section 1226 of the 1997 Act is amended by striking “ending on or” and inserting “beginning”.

(d) AMENDMENT RELATED TO SECTION 1285 OF 1997 ACT.—Section 7430(b) of the 1986 Code is amended by redesignating paragraph (5) as paragraph (4).

SEC. 612. AMENDMENTS RELATED TO TITLE XIII OF 1997 ACT.

(a) Section 646 of the 1986 Code is redesignated as section 645.

(b) The item relating to section 646 in the table of sections for subpart A of part I of subchapter J of chapter 1 of the 1986 Code is amended by striking “Sec. 646” and inserting “Sec. 645”.

(c) Paragraph (1) of section 2652(b) of the 1986 Code is amended by striking “section 646” and inserting “section 645”.

(d) Paragraph (3) of section 1(g) of the 1986 Code is amended by striking subparagraph (C) and by redesignating subparagraph (D) as subparagraph (C).

(e) Section 641 of the 1986 Code is amended by striking subsection (c) and by redesignating subsection (d) as subsection (c).

(f) Paragraph (4) of section 1361(e) of the 1986 Code is amended by striking “section 641(d)” and inserting “section 641(c)”.

(g) Subparagraph (A) of section 6103(e)(1) of the 1986 Code is amended by striking clause (ii) and by redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively.

SEC. 613. AMENDMENTS RELATED TO TITLE XIV OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1434 OF 1997 ACT.—Paragraph (2) of section 4052(f) of the 1986 Code is amended by striking “this section” and inserting “such section”.

(b) AMENDMENT RELATED TO SECTION 1436 OF 1997 ACT.—Paragraph (2) of section 4091(a) of the 1986 Code is amended by inserting “or on which tax has been credited or refunded” after “such paragraph”.

SEC. 614. AMENDMENTS RELATED TO TITLE XV OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1501 OF 1997 ACT.—The paragraph (8) of section 408(p) of the 1986 Code added by section 1501(b) of the 1997 Act is redesignated as paragraph (9).

(b) AMENDMENT RELATED TO SECTION 1505 OF 1997 ACT.—Section 1505(d)(2) of the 1997 Act is amended by striking “(b)(12)” and inserting “(b)(12)(A)(i)”.

(c) AMENDMENT RELATED TO SECTION 1531 OF 1997 ACT.—Subsection (f) of section 9811 of the 1986 Code (as added by section 1531 of the 1997 Act) is redesignated as subsection (e).

SEC. 615. AMENDMENTS RELATED TO TITLE XVI.

(a) AMENDMENTS RELATED TO SECTION 1601(d) OF 1997 ACT.—

(1) AMENDMENTS RELATED TO SECTION 1601(d)(1)—

(A) Section 408(p)(2)(D)(i) of the 1986 Code is amended by striking “or (B)” in the last sentence.

(B) Section 408(p) of the 1986 Code is amended by adding at the end the following:

“(10) SPECIAL RULES FOR ACQUISITIONS, DISPOSITIONS, AND SIMILAR TRANSACTIONS.—

“(A) IN GENERAL.—An employer which fails to meet any applicable requirement by reason of an acquisition, dis-

position, or similar transaction shall not be treated as failing to meet such requirement during the transition period if—

“(i) the employer satisfies requirements similar to the requirements of section 410(b)(6)(C)(i)(II), and

“(ii) the qualified salary reduction arrangement maintained by the employer would satisfy the requirements of this subsection after the transaction if the employer which maintained the arrangement before the transaction had remained a separate employer.

“(B) APPLICABLE REQUIREMENT.—For purposes of this paragraph, the term ‘applicable requirement’ means—

“(i) the requirement under paragraph (2)(A)(i) that an employer be an eligible employer,

“(ii) the requirement under paragraph (2)(D) that an arrangement be the only plan of an employer, and

“(iii) the participation requirements under paragraph (4).

“(C) TRANSITION PERIOD.—For purposes of this paragraph, the term ‘transition period’ means the period beginning on the date of any transaction described in subparagraph (A) and ending on the last day of the second calendar year following the calendar year in which such transaction occurs.”

(C) Section 408(p)(2) of the 1986 Code is amended—

(i) by striking “the preceding sentence shall apply only in accordance with rules similar to the rules of section 410(b)(6)(C)(i)” in the last sentence of subparagraph (C)(i)(II) and inserting “the preceding sentence shall not apply”, and

(ii) by striking clause (iii) of subparagraph (D).

(2) AMENDMENT TO SECTION 1601(d)(4).—Section 1601(d)(4)(A) of the 1997 Act is amended—

(A) by striking “Section 403(b)(11)” and inserting “Paragraphs (7)(A)(ii) and (11) of section 403(b)”, and

(B) by striking “403(b)(1)” in clause (ii) and inserting “403(b)(10)”.

(b) AMENDMENT RELATED TO SECTION 1601(f)(4) OF 1997 ACT.—Subsection (d) of section 6427 of the 1986 Code is amended—

(1) by striking “HELICOPTERS” in the heading and inserting “OTHER AIRCRAFT USES”, and

(2) by inserting “or a fixed-wing aircraft” after “helicopter”.

SEC. 616. AMENDMENT RELATED TO OMNIBUS BUDGET RECONCILIATION ACT OF 1993.

(a) IN GENERAL.—Section 196(c) of the 1986 Code is amended by striking “and” at the end of paragraph (6), by striking the period at the end of paragraph (7), and insert “, and”, and by adding at the end the following new paragraph:

“(8) the employer social security credit determined under section 45B(a).”

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 13443 of the Revenue Reconciliation Act of 1993.

SEC. 617. AMENDMENT RELATED TO TAX REFORM ACT OF 1984.

(a) **IN GENERAL.**—Paragraph (3) of section 136(c) of the Tax Reform Act of 1984 is amended by adding at the end the following flush sentence:

“The treatment under the preceding sentence shall apply to each period after June 30, 1983, during which such members are stapled entities, whether or not such members are stapled entities for all periods after June 30, 1983.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect as if included in the Tax Reform Act of 1984 as of the date of the enactment of such Act.

SEC. 618. AMENDMENT RELATED TO TAX REFORM ACT OF 1986.

(a) **IN GENERAL.**—Section 6401(b)(1) of the 1986 Code is amended by striking “and D” and inserting “D, and G”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect as if included in the amendments made by section 701(b) of the Tax Reform Act of 1986.

SEC. 619. MISCELLANEOUS CLERICAL AND DEADWOOD CHANGES.

(a)(1) Section 6421 of the 1986 Code is amended by redesignating subsections (j) and (k) as subsections (i) and (j), respectively.

(2) Subsection (b) of section 34 of the 1986 Code is amended by striking “section 6421(j)” and inserting “section 6421(i)”.

(3) Subsections (a) and (b) of section 6421 of the 1986 Code are each amended by striking “subsection (j)” and inserting “subsection (i)”.

(b) Sections 4092(b) and 6427(q)(2) of the 1986 Code are each amended by striking “section 4041(c)(4)” and inserting “section 4041(c)(2)”.

(c) Sections 4221(c) and 4222(d) of the 1986 Code are each amended by striking “4053(a)(6)” and inserting “4053(6)”.

(d) Paragraph (5) of section 6416(b) of the 1986 Code is amended by striking “section 4216(e)(1)” each place it appears and inserting “section 4216(d)(1)”.

(e) Paragraph (3) of section 6427(f) of the 1986 Code is amended by striking “, (e),”.

(f)(1) Section 6427 of the 1986 Code, as amended by paragraph (2), is amended by redesignating subsections (n), (p), (q), and (r) as subsections (m), (n), (o), and (p), respectively.

(2) Paragraphs (1) and (2)(A) of section 6427(i) of the 1986 Code are each amended by striking “(q)” and inserting “(o)”.

(g) Subsection (e) of section 9502 of the 1986 Code is amended to read as follows:

“(e) **CERTAIN TAXES ON ALCOHOL MIXTURES TO REMAIN IN GENERAL FUND.**—For purposes of this section, the amounts which would (but for this subsection) be required to be appropriated under subparagraphs (A), (C), and (D) of subsection (b)(1) shall be reduced by—

“(1) 0.6 cent per gallon in the case of taxes imposed on any mixture at least 10 percent of which is alcohol (as defined in section 4081(c)(3)) if any portion of such alcohol is ethanol, and

“(2) 0.67 cent per gallon in the case of fuel used in producing a mixture described in paragraph (1).”

(h)(1) Clause (i) of section 9503(c)(2)(A) of the 1986 Code is amended by adding “and” at the end of subclause (II), by striking subclause (III), and by redesignating subclause (IV) as subclause (III).

(2) Clause (ii) of such section is amended by striking “gasoline, special fuels, and lubricating oil” each place it appears and inserting “fuel”.

(i) The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 620. EFFECTIVE DATE.

Except as otherwise provided in this title, the amendments made by this title shall take effect as if included in the provisions of the Taxpayer Relief Act of 1997 to which they relate.

